

Minneapolis Community Development Agency

Request for City Council Action

Date: July 15, 2002

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee
Refer to: MCDA Board of Commissioners

Prepared by Julie McGuire, Manager, IPM/Special Projects, Phone 612-673-5165

Presented by Jerry Boardman, Housing Director, Phone 612-673-5128

Approved by Chuck Lutz, MCDA Interim Executive Director _____

SUBJECT: Acquisition of 3000 North Second Street

Previous Directives: On August 11, 2000, the MCDA Board & City Council approved an amendment to the Grain Belt Development Objectives, a modification to the Grain Belt Redevelopment Plan and an authorization to issue a housing RFP. On February 2, 2001, the MCDA Board selected the Sheridan Development Company (SDC) as the developer of the Grain Belt Housing Project over three other development proposals, and awarded it six-month development rights. On July 27, 2001, the Board approved a one-year extension of SDC's development rights.

Ward: 3

Neighborhood Group Notification: Not required since purchase is for own use and not for redevelopment.

Consistency with *Building a City That Works*: Meets several goals set forth as the MCDA will be partnering and leasing office space to Hennepin County Sentencing to Serve Program as outlined in Goal 1: Objective D: Strategy 1: - Having a neighborhood office whereas the citizens of Minneapolis will be able to work more closely with the Construction Management Specialist to improve the quality of the city's existing owner-occupied stock as outlined in Goal 2: Objective D: -

Comprehensive Plan Compliance: NA

Zoning Code Compliance: The existing zoning is I-2 (medium or mid range industrial) which this building and our operations would be in compliance with this zoning.

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Impact on MCDA Budget: (Check those that apply)

- ☐ No financial impact
- ☒ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

Increase the appropriations in Fund SHP by \$2,100,000 to be re-paid.

Living Wage / Business Subsidy: NA

Job Linkage: NA

Affirmative Action Compliance: NA

Recommendation:

City Council Recommendation: The Interim Executive Director recommends that City Council amend the 2002 MCDA Appropriation Resolution to increase the appropriation in Fund SHP (Housing Program) by \$2,100,000. Forward to the MCDA Board of Commissioners.

MCDA Board Recommendation: The Interim Executive Director recommends that the Board of Commissioners approve the acquisition of the building located at 3000 North 2nd St. for the new MCDA Property & Construction Management facility to replace their current site at the Grain Belt complex due to the necessary relocation for the Development of Housing in the Grain Belt Project area.

HISTORY & BACKGROUND

On February 2, 2001, the MCDA Board granted development rights for six months to the Sheridan Development Corporation (SDC) for the Grain Belt housing project. In July of 2001, the Board granted a one-year extension of these development rights to allow SDC additional time to refine it's proposal, assess the financial impact of property tax reform on its development program and finance plan, and to respond to historic preservation and area parking concerns. Redevelopment contract negotiations have been underway with SDC and are moving forward.

Because of the proposed housing development for the Grain Belt site, the MCDA Property & Construction Management Department along with the Hennepin County Sentencing to Serve offices need to be relocated and staff was directed to find a facility that would meet these objectives. MCDA staff have been actively searching for a facility that would not only meet the needs of the department, but because of the nature of some of the property management aspects of the operations (such as removing all of the illegally dumped garbage, etc from MCDA owned properties), staff wanted to be

sensitive to find a location that would not negatively impact on any of the Minneapolis neighborhoods.

After review of several locations and facilities, many with extensive environmental issues, staff was extremely impressed with the location and the building for sale @ 3000 North 2nd St. currently known as the GraF/X building. *It should be noted that the MCDA was once the previous owner of this parcel during the time of the clean up and redevelopment of the NWIP area.* This building is located in a mid range industrial area, and is located close to many of the MCDA owned properties, thereby meeting the needs of the operation.

With the development of the Grain Belt site rapidly approaching and the fact Hennepin County's Sentencing to Serve program currently offices out of Phase I of the proposed development, it has been necessary to move forward with locating a new site for operation or lose the possibility of partnering with Hennepin County. Hennepin County has agreed to lease from us at this location. The lease will be a 10-year lease with an annual lease payment to the MCDA of \$100,000.00.

The MCDA has a signed contingent Purchase Agreement for the facility located at 3000 North 2nd Street for the accepted offer of \$1,875,000.00. The GraF/X building was built in 1981 and is completely handicapped accessible. Our appraisal of the property was between \$1.8 and \$1.9 million, thereby making our accepted offer as fair market value for this parcel. This building has 11,844 square feet of office space and 41,692 square feet of warehouse space bringing the total square footage to 53,536. The total land area is 88,711 square feet. It is expected that modifications to the structure will cost up to \$200,000.

FINANCING

This building will be financed through an interfund loan of up to \$2,100,000 from fund SHP. This loan will be repaid to fund SHP through Phase I proceeds of land sale for the Grain Belt project, by the lease with Hennepin County and general operating funds from the MCDA.

This report was prepared by Julie McGuire. For more information, call 612-673- 5165.